

September 16, 2021



Via Email and RESS

Ms. Christine Long
Registrar
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON M4P 1E4

Independent Electricity System Operator

1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

Dear Ms. Long:

**Re: Updating the CDM Guidelines for Electricity Distributors – Letter of Comment
Board File No.: EB-2021-0106**

The Independent Electricity System Operator (IESO) appreciates the opportunity to submit comments on the Ontario Energy Board (OEB) staff discussion paper, *Updating the Conservation and Demand Management [CDM] Guidelines for Electricity Distributors*. The discussion paper proposes an approach on the role of CDM for rate-regulated electricity distributors, considering three IESO CDM frameworks; the current 2021-2024 CDM Framework; the 2015-2020 Conservation First Framework (CFF); and the April 1, 2019 – December 31, 2020 Interim Framework, including rate-funded CDM activities beyond the ambit of these provincial frameworks.

The IESO is responsible for maintaining the security and reliability of electricity supply in Ontario and for operating and directing the operations of the IESO-controlled grid. The IESO also has the responsibility to implement the current CDM framework and deliver CDM programs through Ontario and consider CDM in its provincial infrastructure planning. The IESO has provided its comments below on sections 2 and 5 of the discussion paper.

Section 2 – Distribution Rate-Funded CDM Activities and Role of CDM in System Planning

- The IESO supports enabling CDM and non-wires alternatives to meet both system and local distribution needs, where cost effective, as demonstrated by the IESO's recent work in this area including the Local Initiatives Program, the Regional Planning Process Review and the Distributed Energy Resource Roadmap.
- The IESO recommends the OEB ensure that any CDM initiative offered by a distributor is not duplicative of a Save on Energy province wide program delivered by the IESO and include guidance to distributors on this, similar to the requirements developed for the Local Initiatives Program.

- The IESO recommends that the OEB provide further guidance on the methodology that will be used to assess CDM solutions against traditional wires solutions; specifically, which cost effectiveness test(s) will be used and whether upstream system benefits will be eligible to be included (e.g., avoided system capacity costs, avoided energy costs, regional avoided costs, etc.).

The IESO also believes further guidance on cost allocation for non-wires solutions, including CDM, is needed in order for solutions to be implementable (to ensure economic projects proceed by allowing benefits to be appropriately allocated and having clarity on implementation mechanisms where multiple local distribution companies (LDCs) may be impacted). The IESO acknowledges this may be beyond the scope of the CDM Guidelines but may limit their effectiveness if not resolved.

- The IESO recommends the OEB clarify projects proposed through the CDM Guidelines should be consistent with the recommendations of relevant Integrated Regional Resource Plans, where applicable, and are appropriately captured in regional planning forecasts.
- The current guideline states that “a distributor may also use a demand response program funded through distribution rates to participate in demand response initiatives of the IESO. Any revenues associated with this participation will be treated as a revenue offset used to lower distribution rates”¹. Given the range of technologies beyond demand response contemplated in the CDM guideline that could participate in the IESO’s wholesale markets (e.g., energy storage, distributed generation, etc.), it would be prudent to broaden the existing language. Also, given the uncertainty regarding forecasting wholesale market revenues, it may be necessary for earned revenue offsets to be dealt with through a variance account

Section 5 – Impact of CDM on Distributor Revenues, Including Lost Revenue Adjustment Mechanism

- The IESO does not collect the data required to produce energy efficiency forecasts at the LDC level, and nor does it have a need to. However, the IESO does produce a CDM forecast for the ten Ontario electrical zones for the purposes of preparing Regional Plans. If energy efficiency forecast for LDC service territories is needed, the OEB would need to provide direction to LDCs on how to allocate Ontario electrical zone forecasts down to individual LDCs. The IESO would participate in a consultation on this subject.

¹ *Conservation and Demand Management Requirement Guidelines for Electricity Distributors*, December 19, 2014, P.5. Accessed via: https://www.oeb.ca/oeb/Documents/Regulatory/CDM_Guidelines_Elec_Distributors_20141219.pdf

Ms. Christine Long
September 16, 2021
Page 3

The IESO appreciates the opportunity to provide comments on the issues and questions identified in the OEB's discussion paper. If you have any questions, please contact me at 416-957-3594 or by email at devon.huber@ieso.ca.

Yours truly,



Devon Huber
Acting Director, Regulatory Affairs & Market Rules

cc: OEB Case Manager, Michael Parkes
OEB Counsel, Michael Millar